

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 GSA-01 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 DODE-00

PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 /086 W

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FM AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: EMIN, BL

SUBJ: MEDIUM MINERS ASK GOB FOR TEMPORARY RELIEF FROM TIN

EXPORT TAXES

REF: LA PAZ A-36 OF MARCH 8, 1974

1. MEDIUM MINERS ASSOCIATION (MMA) HAS PETITIONED MINISTRIES MINING, COORDINATION, FINANCE AND LABOR FOR EMERGENCY MEASURES TO TEMPORARILY HELP MINING INDUSTRY THROUGH CRITICAL PERIOD OF LOW MINERAL PRICES AND HIGH COSTS AND TAXES ON MINERAL EXPORTS. MMA PREVIOUSLY ASKED FOR PERMANENT REMOVAL OF SPECIAL TAX ON MINERAL EXPORTS BUT GOVERNMENT TURNED DOWN APPEAL. EMERGENCY MEASURES, MMA STATED, IN NO WAY AFFECTS MMA'S POSITION THAT GOB SHOULD COMPLETELY REFORM ITS TAX SYSTEM ON MINERAL INDUSTRY.

2. MMA ASKED FOR SIX MONTH PAYMENT POSTPONEMENT OF (1) SPECIAL TAXES ON MINERAL EXPORTS; (2) TAX DESTINED TO INSTITUTE OF MINING AND METALLURGICAL INVESTIGATIONS; (3) NATIONAL SOCIAL SECURITY LONG TERM INSURANCE; AND (4) CONTRIBUTIONS TO NATIONAL MINING COUNCIL HOME BUILDING FUND.

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3. MMA ASKED MINISTRY LABOR FOR FLEXIBILITY IN REGULATING

LABOR FORCE.

4. ALSO ASKED GOB FOR ONE-YEAR POSTPONEMENT TO AUGUST, 1976 BEFORE MMA HAS TO JOIN RECENTLY CREATED MINING COMPLEMENTARY FUND WHICH OBLIGES COMPANIES TO CONTRIBUTE ADDITIONAL 6.37 PERCENT OF TOTAL LABOR COSTS TO FUND AND LABORERS 5 PERCENT OF THEIR SALARIES MAINLY FOR RETIREMENT PURPOSES.

5. ACCORDING TO COMMENTS BY MEDIUM MINERS ASSOCIATION OFFICIAL, GOB PROBABLY WILL GRANT TEMPORARY REDUCTION OF 15 PERCENT ON TIN MINERAL EXPORTS (TAX NOW ABOUT US\$ 0.61LB. TIN AT PRICE OF US\$ 3.10 PER POUND OF TIN). MMA WANTS TEMPORARY 50 PERCENT REDUCTION AT US\$ 3.10 PRICE IN ORDER TO PAY ONLY ABOUT US\$ 0.30 PER POUND OF TIN EXPORTED.

6. COMMENT: GOB LIKELY WAITING FOR CONCLUSION OF HARVARD UNIVERSITY STUDY ON MINING TAXATION BEFORE IT CHANGES MINERAL EXPORT TAXES. HARVARD SCHEDULED TO FINISH STUDY LATE THIS YEAR.

A. WE UNDERSTAND THAT SEVERAL MEDIUM MINERS ON THE ROPES FINANCIALLY DUE TO LOWER TIN PRICES AND BUILD-UP OF INVENTORIES DUE TO INTERNATIONAL TIN COUNCIL EXPORT QUOTA. LABOR LAWS MAKE IT DIFFICULT FOR MINERS TO CUT WORK FORCE OR OTHERWISE LOWER COSTS. CONSEQUENTLY, MINING SECTOR EXTREMELY FEARFUL OF INCREASED GSA TIN SALES AT PRESENT LOW TIN PRICES. REPORTEDLY NEW YORK DEALERS STOPPED BUYING TIN METAL A FEW MONTHS AGO AND DELIVERIES TO U.S. EXPECTED TO TAPER OFF IN FOLLOWING TWO MONTHS. THIS IS REASON WHY BOLIVIA WORRIED GSA MAY RESUME SUBSTANTIAL SALES AT LOW TIN PRICE.

B. WHETHER OR NOT TO LOWER MINERALS EXPORT TAXES WILL BE HARD DECISION FOR BOB. UNDERSECRETARY MINFIN BOADA ADVISED ECONOFF THAT CENTRAL GOVERNMENT WILL GET THROUGH AUGUST WITHOUT RESORTING TO DEFICIT FINANCING, DESPITE REDUCED MINERALS TAX REVENUES, BUT DEFICITS LIKELY FOR SEPTEMBER-DECEMBER PERIOD AND REDUCTION IN MINERALS EXPORT TAX RATE WILL INCREASE DEFICIT. SINCE GOB MAKING STRONG EFFORT TO AVOID INFLATIONARY DEFICIT FINANCING, IT FACING A DILEMMA OVER PLEAS FOR RELIEF OF MEDIUM MINERS. FURTHER DECLINE IN TIN MARKET PRICES WILL WORSEN SITUATION.

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7. ACTION REQUESTED: THAT DEPARTMENT URGE GSA NOT TAKE ACTION ON STOCKPILE SALES WHICH WILL FURTHER DEPRESS PRICE, AND IN ANY EVENT KEEP EMBASSY ADVISED OF GSA STOCKPILE ACTIVITIES. STEDMAN

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